Glenbriar Technologies Inc.

2006 ANNUAL REPORT

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2006 ANNUAL REPORT

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To Our Shareholders

Relocation to Waterloo

Glenbriar and Peartree relocated to new premises in Waterloo during the third quarter of fiscal 2006. This move was a strategic decision to provide better access for our customer base and our support staff. Custom configuration of the new premises has resulted in improved communication flow, better space utilization, and a significant reduction of overall office space requirements. We are now able to provide more convenient access to our customers for demos, training and support from Waterloo, the heart of Canada's leading high technology area. Glenbriar's other locations are in Calgary and Burnaby.

New office in Waterloo, Canada's technology heartland

Corporate Direction

Glenbriar's mission is to design, implement and deliver a complete technology suite optimized to the needs of our clients. We have developed or selected Web based software products, IP communications tools and technology management solutions which are all best of class in ease of use, functionality and cost. Combining proprietary and third party equipment and software, this suite is composed of state of the art solutions that deliver unparalleled value and flexibility for our clients.


2006 Glenbriar Stampede Breakfast in Calgary

Glenbriar management is now focused on positioning these solutions as products in order to enhance their marketability, scalability and growth potential. Glenbriar began transitioning its information technology (IT) services division in the first quarter of fiscal 2007 into a Managed Services (MS) model. As this new model is developed and implemented over the coming year, it will lead integrated marketing, helpdesk, implementation and support functions for software, technology management and IP communications. This will improve service delivery to our clients while enhancing operational efficiency, increasing cross selling opportunities, and driving up margins.

A number of factors have contributed to this repositioning. The first is customer demand for higher level consulting services, particularly in the areas of project management, corporate IT strategy and increased corporate governance and disclosure requirements. The second comes from the movement into the commercialization phase for certain of our software and IP communications solutions. The third is to harmonize and integrate our solutions under a single umbrella. The fourth driver is to build a platform for future expansion, while improving operational efficiency. This transition will be phased in over the next two years.

This remodelling has already lead to significant changes in the personnel in our Calgary office, where we have been able to put together a much stronger and more diverse team over the last 12 months, despite very tight labour conditions in that market. We believe we now have the right mix to execute on the transition plan for the benefit of both our clients and our shareholders.

Vendor Certifications

During 2006, Glenbriar pursued a number of new strategic vendor certifications, including:

- ✓ Gold Certified status in the Microsoft Partner Program with dual competencies in Microsoft Advanced Infrastructure Solutions and Networking Infrastructure Solutions, recognizing Glenbriar's expertise and impact in the technology marketplace
- ✓ Packeteer, the top provider of packet shaping and network prioritization appliances for ensuring superb VoIP traffic control
- ✓ Barracuda, the leading network appliance for virus, spam and malware elimination
- ✓ Peartree Software entered into a long term strategic alliance with QuantechSoftware.com to integrate and jointly market Quantech's finance and insurance software with Peartee's dealership management product

Our People

At Glenbriar, our people are our business. Despite a turbulent labour market in Calgary, we have been able to grow our operations there over the past 12 months. Our current staff complement is both deeper and more diverse than at any point in our history, placing us well on the way to executing on our new software, IP communications and Managed Services initiatives.

Glenbriar will continue to require additional resources in order to act on its available opportunities.

Demo & Dinner at Glenbriar's Burnaby office

Robert Matheson, President & CEO

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MANAGEMENT DISCUSSION AND ANALYSIS *(Form 51-102F1)*

This information is given as of January 24, 2007. As of the date of this report: (a) there are 29,392,428 Glenbriar voting common shares issued and outstanding; and (b) there is no other class or series of shares issued, and no warrants or options or other rights to acquire additional common shares outstanding.

Description of Business

Glenbriar Technologies Inc. (CNQ: GBRT) provides leading-edge business-driven technology. Glenbriar's **Peartree Software Inc.** division develops Web-based software for specific market verticals. Glenbriar adds post-carrier IP telephony, call centres and IT support to deliver complete technology management solutions. Glenbriar has locations in Alberta, British Columbia and Ontario.

> ***Mission Statement***
> *Glenbriar's mission is to deliver a simple, reliable and affordable suite of integrated technology solutions optimized for small and medium enterprises.*

Leveraging its long history of providing high end technology solutions for companies as diverse as Brookfield Properties and Magna Canada, Glenbriar has focused its seasoned team of IT managers and business professionals on identifying the best available technologies for its small and medium business (SMB) clients. Through the use of best practices, adherence to corporate standards and optimizing business workflow, Glenbriar is delivering those best-of-breed solutions on a continuous, single vendor basis on a wide scale:

- **Software** - Glenbriar's Peartree Software division has created enterprise management software designed from the ground up to be simple, reliable and affordable. It is easily adapted to specific market verticals and can be deployed on an ASP (application service provider), SaaS (software as a service) or traditional client-server basis.
  - In August, Peartree entered a software integration and marketing agreement to combine third party finance and insurance software with Peartree's dealership module and jointly market the combined product, which has already been deployed at some initial sites.
  - Joint ventures with end user clients are underway on the next three verticals: light manufacturing; professional services; and truck refrigeration unit sales and maintenance.

- **VoIP** – Glenbriar is Canada's leading ShoreTel Business VoIP dealer. ShoreTel received top honours for 2004/5/6 from Nemertes Group in all categories, well ahead of Cisco, Avaya and Nortel business VoIP products. Glenbriar combines ShoreTel's embedded IP call centre functionality with carefully selected and configured Cisco switches, Glenbriar's own proprietary and customized interfaces, and state-of-the-art WAN traffic and packet optimization appliances, to produce a truly superior business VoIP deployment.
  - Glenbriar has entered a VoIP marketing agreement with an Alberta ISP to provide business VoIP solutions to that ISP's customers in rural communities in Alberta.

- **Managed Services** – Mission critical applications such as enterprise software and business VoIP require superior IT infrastructure. Glenbriar's management has over 150 years of experience in planning, creating and supporting advanced IT infrastructures.

Peartree Software

Peartree Software has been providing integrated software solutions for over 20 years. Peartree's application software and services add ongoing value to its customers and support their mission critical business operations. Peartree Software develops, sells and supports proprietary vertical market software for manufacturers, distributors, dealerships and professional services.

Building on a research and development project initiated two years ago and still underway, Peartree has rewritten and repositioned its software product line to make it state-of-the-art, Web-based and easy and intuitive to use. Despite a simplified interface, the products retain all of the experience and integration gained over the last two decades.

Web-based Platform

Peartree's updated product line is based upon a Web platform that can be redeployed to specific market verticals. One of the advantages of Web technology is that the product lends itself to client-server, application service provider (ASP) or software as a service (SaaS) distribution models. Although being Web-based does not require an Internet connection, enabling Web access permits the client to manage a business from home, work, or on the road.

The first commercial implementation of this Web platform technology is called Peartree Dealership, and was chosen because of Peartree's access to an existing client base of RV dealerships and experience in that particular market. Peartree's multilocation edition of Dealership is just going through final field testing, and is scheduled for release in fiscal 2007. The next modules that are under development include light manufacturing, professional services and point of sale retail. Peartree is nearing completion of two initial field implementations of its light manufacturing and distribution modules.

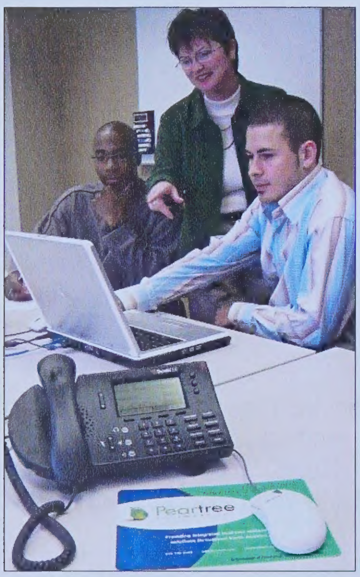
The following description outlines some of the features of the first of these Web based applications:

Peartree Dealership:

Integrated System: The key to Dealership is integration. The software harnesses the control of an integrated system to provide the most user-friendly, yet powerful dealership management software suites available. It is made up of several modules that are mutually accessible at all times. These modules are able to exchange and update data in a consistent and transparent manner.

Reporting Tools: Dealership comes standard with sophisticated data reporting tools that allow you to take the data stored in your software and transform it into highly formatted, graphically-enabled reports. The reports are customizable and can be printed, faxed, e-mailed, saved, and exported to Excel with a few simple clicks of the mouse.

*Bar Code Scanning and Printing***:** Dealership includes bar coding, scanning and printing for the Sales, Parts, Service, Inventory, and Purchasing modules. You simply plug the scanner in and start using it.

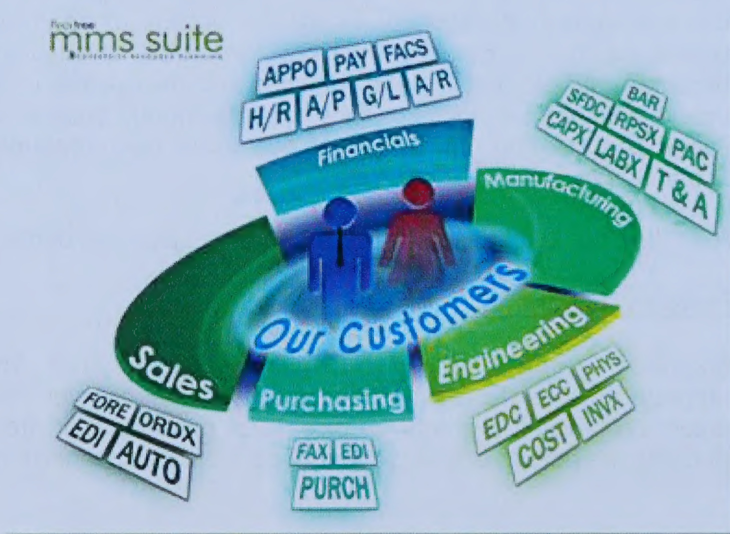


Training: Well trained employees are fundamental to realizing the full potential of Dealership. Peartree delivers superior training to ensure a smooth and successful transition to the new software. In addition to the initial training, Peartree offers courses throughout the year for all levels of users from novice to expert.

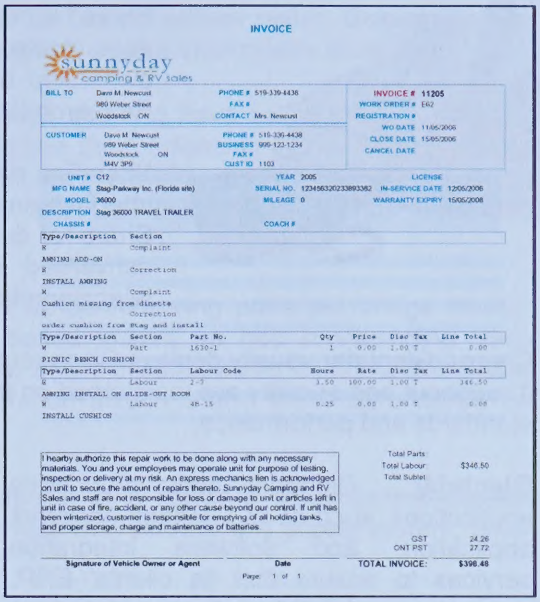
Support: Peartree provides highly comprehensive support services, including remote support access and push technology, eliminating the need for technicians to be on-site for maintenance and upgrades. Peartree further provides 24/7 telephone support and its helpdesk can be reached during normal business hours by phone, fax, or email.

Other Services: Peartree leverages the client's software needs with support and services for all of the client's IT needs through integration with Glenbriar's IT support and helpdesk, IP call centre and VoIP communications solutions. This provides in a single source for all of the client's technology needs, reducing maintenance expenses and improving operational efficiency.

MMS Suite. Peartree MMS Suite is a cost-effective, integrated suite of business solutions for manufacturers and distributors. For more than 20 years, Peartree has improved business processes to top manufacturers and distributors, such as Magna, Dana, Delta Faucet and Edscha. Peartree's deep knowledge of the automotive manufacturing business translates directly into our suite of software modules. Peartree's interactive Material Management System reliably provides the latest management information at a competitive price point.



Harvest Reports. Peartree Harvest Reports is a sophisticated data reporting tool that allows businesses to access data stored in a multivalue or relational database and transform it into a highly formatted, graphically-enabled report. Harvest Reports can be formatted to request information, such as date ranges or periods, to narrow and focus the data that is generated. Drill-down capabilities enable the request of subreports. Harvest Reports provides commercial quality output from Web or text based applications, which can be printed, faxed, e-mailed, saved and archived in a variety of formats, including Word, Excel, PDF and TIF, with a few simple mouse clicks. Harvest Reports allows Peartree to rapidly build and deploy reports for its customers. It creates templates specifically reflecting a customer's reporting needs, which significantly speeds the creation of individual reports. Formatting changes are simple and extremely rapid, due to the enhanced report development toolset.


INVOICE

sunnyday camping & RV sales

BILL TO Dave M. Newcust, 980 Weber Street, Woodstock ON
PHONE # 519-339-4438
FAX #
CONTACT Mrs. Newcust

CUSTOMER Dave M. Newcust, 989 Weber Street, Woodstock ON, M4V 3P9
PHONE # 519-339-4438
BUSINESS 999-123-1234
FAX #
CUST ID 1103

INVOICE # 11205
WORK ORDER # E62
REGISTRATION #
WO DATE 11/05/2006
CLOSE DATE 15/05/2006
CANCEL DATE

UNIT # C12
MFG NAME Stag-Parkway Inc. (Florida site)
MODEL 36000
DESCRIPTION Stag 36000 TRAVEL TRAILER
CHASSIS #
YEAR 2005
SERIAL NO. 123456320233893382
MILEAGE 0
COACH #
LICENSE
IN-SERVICE DATE 12/06/2006
WARRANTY EXPIRY 15/05/2008

Type/Description	Section
K	Complaint
AWNING ADD-ON	
K	Correction
INSTALL AWNING	
W	Complaint
Cushion missing from dinette	
W	Correction
order cushion from Stag and install	

Type/Description	Section	Part No.	Qty	Price	Disc	Tax	Line Total
W	Part	1630-1	1	0.00	1.00	T	0.00
PICNIC BENCH CUSHION							

Type/Description	Section	Labour Code	Hours	Rate	Disc	Tax	Line Total
K	Labour	2-7	3.50	100.00	1.00	T	346.50
AWNING INSTALL ON SLIDE-OUT ROOM							
W	Labour	4B-15	0.25	0.00	1.00	T	0.00
INSTALL CUSHION							

I hearby authorize this repair work to be done along with any necessary materials. You and your employees may operate unit for purpose of testing, inspection or delivery at my risk. An express mechanics lien is acknowledged on unit to secure the amount of repairs thereto. Sunnyday Camping and RV Sales and staff are not responsible for loss or damage to unit or articles left in unit in case of fire, accident, or any other cause beyond our control. If unit has been winterized, customer is responsible for emptying of all holding tanks, and proper storage, charge and maintenance of batteries.

Total Parts
Total Labour $346.50
Total Sublet
GST 24.26
ONT PST 27.72

Signature of Vehicle Owner or Agent
Date
TOTAL INVOICE: $398.48

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Business VoIP

Glenbriar recognized several years ago that the convergence of computers, phones, mobile devices, software applications, corporate data and the Internet would have a profound impact on the way its clients conduct their business. To ensure that its clients remained at the forefront of these changes, Glenbriar developed specialized expertise in Internet protocol (IP) communications. At the core of this convergence was the testing and implementation of a best-of-breed business voice over Internet protocol (VoIP) solution.

Glenbriar's Business VoIP Solution combines ShoreTel phones, switches and software with Cisco networking equipment and Glenbriar's enhancements to produce a truly superior deployment. This solution operates within the enterprise, seamlessly integrating all of our clients' voice and data from around the world into a single cohesive system. Outside the enterprise, Glenbriar partners with local telephone, ISP and cable companies, and with VoIP and SIP trunk line providers to provide access to local and long distance calling and broadband connections to the Internet.

ShoreTel: At the heart of the solution are ShoreTel phones, switches and software, which are based on a uniquely distributed architecture that extends enterprise-class voice services to every office and outpost, keeping employees fully connected wherever they go. ShoreTel phones employ distinctive ergonomic design with exceptional clarity, and are customer rated as the easiest to use. The ShoreTel system provides unmatched reliability with no single point of failure, and delivers fast installs with quick rollout to new locations.

PEER 1 Networks

In October 2006, Glenbriar implemented the first in a series of replacements of recently installed Cisco and Avaya VoIP equipment at locations throughout North America and Europe for PEER 1 Networks of Vancouver, BC, the global leader in Internet infrastructure solutions, delivers highly scalable and reliable bandwidth, co-location and dedicated hosting packages to over 15,000 customers worldwide through state-of-the-art data centres in 17 cities across North America and Europe.

"The initial rollout in the Vancouver head office was remarkable. Voice quality improved substantially. Ease of management is excellent. Above all, it was Glenbriar's knowledge of business quality VoIP requirements and implementation that confirmed our purchasing decision. We are really looking forward to implementing this solution across all of our locations."

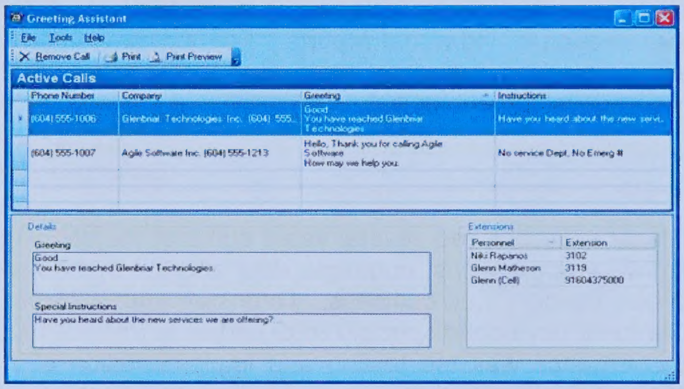
- Bill White, CIO, PEER 1 Networks

ShoreTel continues to win awards as the market leader for its design, ease of use, voice clarity, manageability, functionality and total cost of ownership by such groups as PC Magazine (2005) and Nemertes Research (2004/2005/2006).

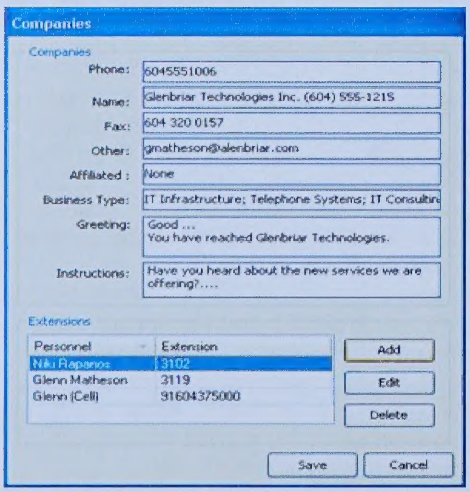
ShoreTel systems are ideal for multi-site companies; a single-view interface enables a global IP network to be managed from anywhere. ShoreTel delivers unmatched productivity from unified messaging to converged conferencing, distributed customer care to seamless telecommuting.

<u>Cisco</u>: Glenbriar usually deploys Cisco routers and WAN tools to ensure that appropriate call quality, throughput and security are maintained on the corporate network, without compromising voice or data standards and performance.

<u>Glenbriar</u>: Glenbriar adds proprietary applications, such as its Greeting Assistant application, and software integration services to ensure that its clients' ERP, accounting and CRM applications interface seamlessly with the other components of the Glenbriar Business VoIP Solution.



Glenbriar dial plans are provides users whose telcos have converted their region to 10-digit dialling have the option of retaining 7-digit dialing within their offices. In addition, a user dials a standard long distance format, and the call is invisibly routed to any enterprise location where the call can be completed as a local call. If all trunks are busy, it fails over to the traditional phone network. Calls within the enterprise do not use trunk lines, reducing the number of local trunks.



Some of the Glenbriar Business VoIP Solutions's additional benefits include:

IP Call Centre – The IP Call Centre solution allows an enterprise to route incoming calls to the most appropriate agent in a multi-site contact centre, regardless of location. The solution treats all available agent resources across all sites as one "virtual" contact centre. This allows companies to maximize agent productivity, reduce call centre costs and boost customer satisfaction level. Glenbriar adds additional functionality, such as the Glenbriar Greeting Assistant application, to allow greater control and functionality to a multisite IP call centre.

Scalability – This solution can be scaled from 10 to 15,000 users without requiring a "forklift" upgrade.

Multisite – ShoreTel integrates multiple branches, sites, and companies into a single cohesive system. It appears to the administrator and end users as a single site. The rich set of features and applications

at the head office are also available to the remote sites or branch offices users. Customers can access your extension from anywhere in the world by dialing any of your enterprise's local sites.

Mobility – Mobile workers can assign their extension to their cell and have calls delivered to them wherever they are located. *Teleworkers* can invisibly relocate their extension to their home or any other phone with all of the functionality of the office environment. No VPN or configuration is needed from the worker's home office. Softphone, AnyPhone and Dial In/Dial Out provide additional functionality.

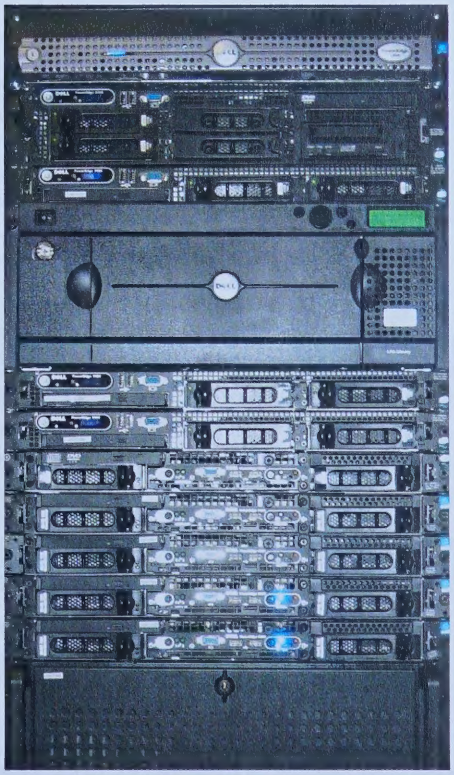
Conferencing – ShoreTel delivers "anytime" access adds 96 conferencing ports per bridge device, including document sharing, Outlook integration, Web based instant ad hoc conferencing, zero deployment configuration, "click to add" additional parties, and individual audio customization. This removes the cost barriers of traditional in-house collaboration solutions and ends dependency on high-cost, hosted web services.

Application integration: Adherence to standards and inclusion of a software development support ensures that the Glenbriar Business VoIP system will interface with virtually any phone system, other device or application.

Fax server integration: Allows a single number to be used for an individual's DID and fax number.

Managed Services

Current trends demonstrate the strength of the Managed Services (MS) model, with major technology solution providers adopting some form of MS as part of their services offering. MS leverages Glenbriar's existing core competencies and packages its technology management offering into a high reliability, lower cost "outsourced" product. MS structures every facet of the delivery of products; Hardware as a Service (HaaS), Software as a Service (SaaS), Business Process Outsourcing (BPO) and Infrastructure Services (technical and business consulting, design, implementation, steady-state operations and maintenance) and packages them as a deliverable and structured product that can be offered to a client. MS is based upon best practices contained within the major industry reference frameworks.



MS allows Glenbriar to identify and focus on specific target clients with a rapid deployment, low risk and essentially turnkey IT solution. The client gains a predictable fixed cost and service level expectation that is defined by Statement of Work and Service Level Agreements. Glenbriar gains a recurring and predictable monthly revenue stream, and is able to more effectively utilize resources and increase operational efficiencies primarily gained from a structured service delivery approach and economies of scale. The bond between Glenbriar and the client strengthens over time.

Under a Fully MS structure, Glenbriar manages all of a client's IT infrastructure and services, and effectively becomes their IT department. Under a Selective MS structure, Glenbriar managed defined services of products on behalf of the client. Co-location (professional off-site location of servers) is often a preferred option where security, reliable power supply, fire suppression, 24 hour access, redundancy and access are primary concerns of the client.

Glenbriar's MS offering specifically targets the small and medium enterprise (SME or SMB) space. This offering is particularly well suited to startup companies or companies that expect to experience rapid growth. It is also ideal for companies that are going through the transition to a larger size and thus need to set corporate standards, upgrade governance, and establish formal policies and procedures. These clients can take advantage of a methodology that ties their costs directly to their size, while taking care of one of the more difficult areas of change management. In all of these cases, the client receives more professional and knowledgeable technology management at a lower total cost of ownership (TCO) and higher service delivery (SD) levels.

One of the most significant aspects of marketing MS is that it allows Glenbriar to align its service offerings with customer needs, challenges and requirements and to demonstrate the value proposition simply and effectively. Glenbriar tailors its pricing structures to meet the needs of each individual customer.

MS allows Glenbriar management to position its technology management services solutions as products in order to enhance their marketability, scalability and growth potential. As this new model is developed and implemented over the coming year, it will facilitate standardization and integration of internal processes, leading to integrated marketing, helpdesk, implementation and support functions for software, technology management and IP communications. This will improve service delivery to our clients while enhancing operational efficiency, increasing cross selling opportunities, and driving up margins. Client loyalty strengthens when multiple solutions are provided from one source.

Glenbriar participates in a strategic alliance with CentrePoint in Calgary to deliver IT services and business workflow solutions to the non-profit sector in an efficient and cost effective manner. Glenbriar has always been a strong supporter of the non-profit sector, providing IT services, IP telephony solutions and procurement services to various non-profits agencies. While providing services to the non-profit sector has low margins and is less profitable than dealing with commercial enterprises, Glenbriar management believes it is important to give back to the communities in which it operates.

Sales Methodology

Over the last three decades, technology companies have had to develop and implement sound business strategies that respond to the sudden impact and resulting turbulence created from new and constantly changing technologies. There are two approaches typically used, one that focuses on selling hardware, software and project work, and the other focuses on solutions.

Hardware and project focused companies emphasize hardware and project work, and are always seeking new accounts. Sales people are pushed to meet quotas, with little attention on what is best for the client. These companies often compete regularly for requests for proposals (RFP) from large

companies or government agencies for hardware and software procurement or project work. Turnover rates are typically high for customers and sales people, with high volume and low margins.

Solution focused companies bring the most value to their customers by solving their business problems through the right combination and balance of technology, services and support. These companies seek to understand the problems and challenges that the prospect has and then presenting a solution that includes the right mix of product, services and support. These companies possess a client-focused strategy, operational infrastructure and talented professionals that concentrate on building client/partner relationships that will grow and flourish, producing increasing revenues over the long term.

Glenbriar has a dedicated business philosophy that places a paramount value on growing *with* its existing clients, as well as developing new accounts. Since inception, Glenbriar has implemented a solution-focused approach with great success by offering the right combination and balance of technology, services and support solutions to its clients.

Glenbriar is implementing the best features of a solutions and products approach to maximize its long term potential. Glenbriar is committed to an ongoing program of investment in the research and development of a proprietary line of software products and solutions. These address many segments within the global SMB marketplace and enable Glenbriar to seize on a multitude of cross-selling opportunities within its established and future client base, as well as to serve as a platform for future expansion.

Intellectual Property

All of Glenbriar's sales are arm's length sales to third parties outside the consolidated entity. Software licences are renewable annually, and renewal is required for the software to continue to function. Peartree's initial products were developed in the 1980s. Peartree owns the copyright to its source code, and has a number of employees with over a decade of experience with its products. Glenbriar is a registered trade mark in Canada for the lines of business in which it operates. In addition, Glenbriar and Peartree resell third party products and licences which include intellectual property aspects, and rely upon the third party's representations as to the validity of any patents, copyrights or other intellectual property rights. Glenbriar is not aware of any issues relating to any of the intellectual property rights described above.

Market Conditions

The IT services, enterprise software and enterprise communications markets are large and highly competitive. There are over 13,000 IT service providers and up to US$26 billion of annual enterprise software revenues in North America. These markets have generally been subject to a great deal of consolidation and business failures during the technology market downturn in the first half of the decade. Glenbriar has grown and survived during this difficult market period despite inadequate capitalization. Glenbriar believes the current market provides good opportunities for growth through acquisitions and development of niche products and services.

During the second quarter of fiscal 2005, Glenbriar installed a business IP telephony system for a wireless and fixed Internet service provider (ISP) which operates primarily in rural Alberta. Glenbriar has been working with this client to develop solutions for implementing VoIP solutions for their customer base as it expands as a result of the further implementation of Alberta's Supernet. In January 2006, Glenbriar entered into a joint venture marketing agreement with this client to expand business IP telephony solutions into this client's areas of operation.

Financial Review

The Accounting Standards Board recommended that Canada should shift from Canadian generally accepted accounting principles (GAAP) to International Financial Reporting Standards (IFRS) over the next 4 years. IFRS is already the standard in Australia, New Zealand, Japan and the European Union. The US Securities and Exchange Commission reached an agreement with the EU in April 2005 that will allow foreign issuers to use IFRS in their US filings without US GAAP reconciliation by 2009. IFRS may result in significant changes to financial statements over the next 4 years.

In 2005, the 30% restriction on foreign content in Canadian pension funds and RSPs was eliminated. Over 90% of Glenbriar's shareholders are in Canada. There is currently limited access in the US and Europe to Canadian markets. Changes are underway that are expected to make markets more global, such as consolidation of ownership of major stock exchanges. Glenbriar has not traditionally been aligned with any brokerage firms, which has limited market activity in its stock to retail investors acting independently. Any change in this status could have a significant impact on market activity. Harmonization of Canadian and international securities markets and accounting standards are expected to have a long term effect on the valuation of Canadian equities.

Selected Financial Information

Selected Annual Financial Information ($)	Year ended September 30		
	2006	2005	2004
Revenue – continuing operations	5,110,086	4,752,300	4,872,702
Revenue – discontinued operations	-	134,038	146,177
Revenue – total	5,110,086	4,886,338	5,018,879
Income before tax from continuing operations	149,079	78,891	(52,633)
Income from continuing operations	69,079	74,459	(52,633)
-per share (basic and diluted)	0.002	0.003	(0.002)
Net income	69,079	150,135	18,875
-per share (basic and diluted)	0.002	0.006	0.001
Total assets	4,848,815	4,241,798	4,078,265
Long term liabilities	-	-	-
Dividends	-	-	-

Revenue from discontinued operations refers to gas revenue. The gas property was sold in early fiscal 2005. The rise in the Canadian dollar against the US dollar over the past 2 years has reduced revenue, as Peartree's US sales are made in US dollars. Income for 2006 includes a $40,000 increase in provision for income taxes which relates to the prior period, but which was not considered sufficiently material to require restatement of the prior year's earnings. When this is taken into account, income from continuing operations would have risen over 200% from $34,459 in 2005 to $109,079 in 2006. See "Income before tax from continuing operations" in the above table.

Selected Quarterly Financial Information ($)	Quarter ended							
	2006			2005				2004
	Sept 30	June 30	Mar 31	Dec 31	Sept 30	June 30	Mar 31	Dec 31
Revenue – continuing operations	1,109,225	1,321,454	1,457,958	1,221,449	1,120,238	1,233,049	1,287,270	1,111,401
Revenue – discontinued operations	-	-	-	-	-	-	-	134,380
Revenue – total	1,109,225	1,321,454	1,457,958	1,221,449	1,120,238	1,233,049	1,287,270	1,245,781
Income from continuing operations	(109,729)	53,634	38,453	86,721	(11,483)	64,798	8,028	(28,522)
-per share (basic and diluted)	(0.004)	0.002	0.001	0.003	-	0.002	-	(0.001)
Net income	(109,729)	53,634	38,453	86,721	(11,483)	64,798	8,028	88,792
-per share (basic and diluted)	(0.004)	0.002	0.001	0.003	-	0.002	-	0.003

Revenue from discontinued operations for the quarter ended December 31, 2004 includes gain on disposal and production from a gas property. Revenue decreased $11,013 for the quarter ended September 30, 2006 from the same quarter in 2005, mainly due to year end adjustments in 2006, which reduced revenue by approximately $93,000. Increased revenue in the second and third quarters of fiscal 2006 represent some large equipment and software sales. Once these factors are taken into account, overall revenue for the eight quarters from technology activities was relatively static, reflecting seasonal variations and normal fluctuations in levels of business activity.

Glenbriar has not paid dividends and has no current intention of doing so.

Liquidity and Capital Resources

As of September 30, 2006, Glenbriar had $57,346 of working capital, which is virtually unchanged from $61,916 at September 30, 2005. The $39,723 decrease in inventory was offset by smaller relative changes in other categories. Inventory reductions are part of an ongoing effort to reduce parts on hand. Inventory is considered relatively liquid. The deferred revenue account of $248,218 is all attributable to Peartree, and represents payments made for annual software maintenance fees, which revenues are deferred and brought into revenue monthly as services are performed.

Glenbriar received $87,100 of leasehold allowances for its Calgary office in fiscal 2004, and $43,107 for its Waterloo office in fiscal 2006, which are being amortized over the respective 5 year terms of the leases. These allowances include leasehold improvements and rent free periods.

The operating line of credit was $304,111 as of September 30, 2006, which is similar to the $318,219 recorded a year earlier.

Glenbriar may be required to seek additional equity or debt financing, reduce its operations or to limit its growth in order to maintain liquidity. In addition, Glenbriar does not have adequate surplus capital on hand to pursue its research and development activities at an optimal rate, to establish and implement a robust marketing and sales program, and to make strategic acquisitions. Accordingly, Glenbriar may reasonably be expected to issue additional equity or take on more debt in order to obtain the additional resources which it believes are necessary to enable it to seek to achieve the growth rates which are sought by investors and shareholders. If additional equity is issued, existing shareholders may experience dilution of their shareholdings. If additional debt is taken on, the business could be put at greater risk of not being able to survive downturns in business cycles, the loss of major accounts, or other negative events.

Glenbriar's only long term financial commitments are for office leases as follows:

Fiscal period	$
2007	149,443
2008	132,534
2009	110,901
2010	62,284
2011	26,207

Results from Operations

Earnings before taxes and discontinued operations increased to $149,079 from $78,891 for fiscal 2006 from 2005. This mainly reflects continued efforts to improve margins.

Revenue. Results for the year ended September 30, 2006 reflect: a) increased sales from VoIP and software products; b) a decrease in revenue from US sources for Peartree of approximately $105,000 caused by the rise of the Canadian dollar relative to the US dollar; c) falling prices for hardware due to both industry trends and the rising Canadian dollar; and d) gain on sale of gas assets effective December 1, 2004.

Expense. Cost of goods sold was in line with sales volumes, but includes bankruptcy or receivership losses of $35,000 in receivables and $15,000 in inventory in fiscal 2006. General and administrative expense was relatively flat for the comparative years. Foreign exchange losses reflect changes in the value of the Canadian dollar relative to the US dollar. Depreciation, depletion and amortization expense did not change materially from the prior year period. See notes 2 and 3 of Notes to Consolidated Financial Statements.

Accounts receivable. The balance for the year ended 2006 reflects 83 days of sales, which is up from 69 days of sales for the year ended 2005. It is expected that this number will improve in the next quarter due to increased collection efforts.

Accounts payable and accrued liabilities. The increase in this account to $665,084 at the end of fiscal 2006 from $407,220 for fiscal 2005 reflects increased activity as reflected in cost of goods sold and accounts receivable.

Deferred revenue. This account is all attributable to Peartree, and represents payments received from customers in advance for annual software maintenance fees, which is brought into revenue monthly as services are performed.

Disclosure Controls

Glenbriar management reviewed the effectiveness of Glenbriar's disclosure controls and procedures as of September 30, 2006, and determined that they are adequate for a public company of Glenbriar's size and complexity. Notwithstanding this, Glenbriar has a project underway to design and implement a new enterprise reporting system over the course of the next two fiscal periods which will establish enhanced controls and procedures and provide improved information flow and reporting capabilities.

Related Party Transactions

See "Subsequent Events".

Subsequent Events

To assist in maintaining working capital margining ratios, management had advanced $190,000 to the Corporation as of December 2006.

Additional Information

Additional information about Glenbriar is available from Glenbriar's website at www.glenbriar.com, the CNQ website at www.cnq.ca, the Sedar website at www.sedar.com, or by request from Glenbriar's head office at 301, 401 – 9 Ave SW, Calgary, AB T2P 3C5 (Phone 403-233-7300 x117).

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Auditors' Report

To the Shareholders of
Glenbriar Technologies Inc.:

We have audited the consolidated balance sheets of **Glenbriar Technologies Inc.** as at September 30, 2006 and 2005 and the consolidated statements of earnings and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at September 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
December 1, 2006,
except as to notes 5 & 13,
which are as of January 18, 2007

(signed) "Deloitte & Touche LLP"
Chartered Accountants

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Earnings and Retained Earnings
Years Ended September 30, 2006 and 2005

	2006 $	2005 $
REVENUE		
Technology management	**2,778,758**	2,738,982
Equipment and software sales	**2,323,070**	2,007,368
Interest and other income	**8,258**	5,950
	5,110,086	4,752,300
EXPENSES		
Technology management	**1,974,381**	1,982,306
Cost of goods sold	**1,900,173**	1,634,270
General and administrative	**946,686**	899,529
Depreciation and amortization	**99,081**	129,971
Interest and bank charges	**24,267**	15,661
Foreign exchange loss	**16,419**	11,672
	4,961,007	4,673,409
EARNINGS BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	**149,079**	78,891
Provision for future income taxes (Note 7)	**80,000**	4,432
EARNINGS BEFORE DISCONTINUED OPERATIONS	**69,079**	74,459
DISCONTINUED OPERATIONS		
Gas operations (net of tax of $1,888)	**-**	3,356
Gain on disposal of gas property (net of tax of $40,680) (Note 3)	**-**	72,320
	-	75,676
NET EARNINGS	**69,079**	150,135
RETAINED EARNINGS, BEGINNING OF YEAR	**172,949**	22,814
RETAINED EARNINGS, END OF YEAR	**242,028**	172,949
EARNINGS PER SHARE		
Basic and diluted before discontinued operations	**0.002**	0.004
Basic and diluted from discontinued operations	**-**	0.002
Total basic and diluted	**0.002**	0.006
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	**28,202,857**	25,789,928

GLENBRIAR TECHNOLOGIES INC.
Consolidated Balance Sheets
September 30, 2006 and 2005

	2006 $	2005 $
ASSETS		
CURRENT		
Accounts receivable	**1,158,692**	893,045
Prepaid expenses	**53,982**	43,688
Inventory	**62,085**	101,808
	1,274,759	1,038,541
Capital assets (Note 3)	**223,234**	225,072
Intangible assets (Note 4)	**1,276,191**	930,474
Goodwill	**1,023,756**	1,023,756
Future income taxes (Note 7)	**1,050,875**	1,023,955
	4,848,815	4,241,798
LIABILITIES		
CURRENT		
Revolving credit facility (Note 5)	**304,111**	318,219
Accounts payable and accrued liabilities (Note 10)	**665,084**	407,220
Deferred revenue	**248,218**	251,186
	1,217,413	976,625
Deferred leasehold allowances (Note 3)	**62,200**	60,500
	1,279,613	1,037,125
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	**3,327,174**	3,031,724
Retained earnings	**242,028**	172,949
	3,569,202	3,204,673
	4,848,815	4,241,798

APPROVED BY THE BOARD

.... **Director**

.... **Director**

GLENBRIAR TECHNOLOGIES INC.
Consolidated Statements of Cash Flows
Years Ended September 30, 2006 and 2005

	2006 $	2005 $
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net earnings	**69,079**	150,135
Adjustments for:		
Provision for future income taxes	**80,000**	47,000
Gain on disposal of assets	**-**	(113,000)
Depreciation and amortization	**99,081**	129,971
	248,160	214,106
Changes in non-cash working capital (Note 12)	**20,378**	37,507
	268,538	251,613
FINANCING		
Issuance of common shares	**295,450**	-
Change in revolving credit facility	**(14,108)**	143,171
Decrease in long-term liabilities	**-**	(18,500)
	281,342	124,671
INVESTING		
Net proceeds on disposal of assets	**-**	150,000
Capital expenditures	**(68,740)**	(41,903)
Software development costs	**(481,140)**	(484,381)
	(549,880)	(376,284)
NET CHANGE AND CASH, END OF YEAR	**-**	-

Supplementary cash flow information (Note 12)

Notes to Consolidated Financial Statements

1. BASIS OF PRESENTATION

Glenbriar Technologies Inc. ("Corporation") was incorporated under the Business Corporations Act (Alberta) on July 15, 1994. The consolidated financial statements for the years ended September 30, 2006 and 2005 include the accounts of its only active subsidiary, Peartree Software Inc. ("Peartree").

2. SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The preparation of the Corporation's consolidated financial statements in conformity with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting periods presented. Significant estimates include the assessment of recoverability of carrying values of the Corporation's intangible assets, goodwill and future income tax assets. Actual results could differ from the estimates.

Revenue recognition

Equipment and software sales relate to proprietary software and products purchased and resold to customers. The revenue from these sales is recognized upon shipment. Information technology management revenue is recognized as services are rendered. In cases where collectibility is not reasonably assured, revenue is recognized when the cash is collected. Payments received in advance of services rendered are deferred until such time as the services are performed.

Inventory

Inventory is comprised of equipment and spare parts and is carried at the lower of cost and net realizable value.

Intangible assets

Intangible assets are amortized on a straight-line basis as follows:

Proprietary software	5 years

Research and development costs incurred prior to the establishment of the technological and financial feasibility of a particular software project are expensed as incurred. Software development costs are capitalized when the technological and financial feasibility of a project is established. Capitalized software development costs are amortized over the estimated period of benefit based on the percentage of actual sales to future expected sales. This estimate is reviewed quarterly.

If a permanent impairment in value is determined, the carrying value of the intangible assets is written down to recoverable value and the excess is charged to earnings. The net recoverable value is based on management's estimate of future cash flows from the related intangible asset. There was no impairment of intangible assets during the years ended September 30, 2006 or 2005.

Goodwill

Goodwill represents the excess of the purchase price over the value attributed to net tangible and intangible assets acquired. Goodwill is assessed for a permanent impairment in value on an annual basis by comparing the carrying value of the applicable reporting unit to its estimated fair value. Fair value is determined based on management's estimates of future cash flows. There was no impairment of goodwill recorded during the years ended September 30, 2006 or 2005.

Foreign currency transactions

Revenue and expenses are recorded at the average rate of exchange in effect at the transaction dates. Monetary assets and liabilities relating to foreign exchange transactions are recorded at rates of exchange in effect at the balance sheet date and any resulting gains or losses recorded in income for the period.

Capital assets

Computers and office equipment are depreciated using the declining-balance method at rates ranging from 20% - 30% per year. Leasehold improvements are amortized over the term of the lease (5 years). If there is an indication of impairment to the carrying value of these assets, a reduction of the carrying value to the fair value would be recorded as an expense.

Gas operations

The 2005 statements reflect the Corporation's gas production activities, which ceased with the disposal of the gas property in the first quarter of fiscal 2005. The Corporation followed the full cost method of accounting for gas activities, whereby all historical costs were capitalized into a single cost centre. Proceeds on disposal of the gas property and equipment were credited to the balance remaining in the full cost pool.

Income taxes

The Corporation uses the liability method of accounting for income taxes. Under this method, temporary differences arising from the differences between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Temporary differences arising on acquisitions result in future income tax liabilities or assets.

Investment tax credits

The Corporation is entitled to Canadian federal and provincial investment tax credits that are earned as a percentage of eligible current and capital research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of related expenses or capitalized costs in the period during which the credit is realized or the expenditures are incurred, provided there is reasonable assurance of realization.

Stock option plan

The Corporation has a stock option plan as described in Note 6. The Corporation would record an expense for stock options issued based on the fair value at the date of grant, calculated using the Black-Scholes option pricing model. As there were no options granted, there was no impact on earnings from stock options.

Per share amounts

The Corporation follows the treasury stock method to determine the dilutive effect of stock options. Under this method, basic net earnings per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated on the basis of the weighted average number of common shares outstanding during the period plus the additional incremental common shares that would have been outstanding if potentially dilutive common shares had been issued using the treasury stock method.

3. CAPITAL ASSETS

	2006		
	Cost $	Accumulated Depreciation $	**Net Book Value $**
Computers and office equipment	510,964	(365,530)	**145,434**
Leasehold improvements	116,115	(38,315)	**77,800**
	627,079	(403,845)	**223,234**

	2005		
	Cost $	Accumulated Depreciation $	**Net Book Value $**
Computers and office equipment	485,539	(311,067)	**174,472**
Leasehold improvements	72,800	(22,200)	**50,600**
	558,339	(333,267)	**225,072**

Leasehold allowances received during 2006 of $43,107 and during 2004 of $87,100 (net of cumulative amounts amortized to rent expense of $7,061 as of September 30, 2006) have been deferred and are being amortized over the 5 year lease term.

In December 2004, the Corporation sold its gas property for net proceeds of $150,000, resulting in a gain on sale of $113,000.

4. INTANGIBLE ASSETS

	2006		
	Cost $	Accumulated Amortization $	**Net Book Value** **$**
Proprietary software	255,100	(255,100)	-
Software development	1,296,191	(20,000)	**1,276,191**
	1,551,291	(275,100)	**1,276,191**

	2005		
	Cost $	Accumulated Amortization $	**Net Book Value** **$**
Proprietary software	255,100	(246,597)	**8,503**
Software development	921,971	-	**921,971**
	1,177,071	(246,597)	**930,474**

Amortization of intangible assets during the year was $28,503 (2005 – $51,020). The carrying value of software development costs has been reduced by investment tax credits of $106,920 recorded during the year (2005 – $109,700). The remaining investment tax credit of $53,460 (2005 – $53,600) was recorded as a reduction of expenses.

5. REVOLVING CREDIT FACILITY

The Corporation had a line of credit available to a maximum of $500,000 as at September 30, 2006, subject to monthly margining thresholds and annual review. Drawings bear interest at 1% above the bank's prime lending rate with interest payable monthly. The line of credit is subject to a working capital ratio test on a quarterly basis. The ratio as of September 30, 2006 was not in compliance with the stated minimum, but has since been brought into compliance. See Note 13. Security is provided by a first charge over all of the Corporation's assets. The outstanding principal balance is repayable on demand. As at September 30, 2006, there was $304,111 (2005 – $318,219) drawn under the facility.

6. SHARE CAPITAL

i) Authorized
Unlimited number of common shares
Unlimited number of preferred shares of one or more series

ii) Common shares issued and outstanding

	Number of shares	**Amount** **$**
Balance, September 30, 2005 and 2004	25,789,928	3,031,724
Private placement	3,602,500	295,450
Balance, September 30, 2006	**29,392,428**	**3,327,174**

iii) Stock option plan

The Corporation is authorized to grant stock options to directors, officers and employees for up to 10% of the number of common shares outstanding. These options are exercisable over periods up to 5 years at prices based upon the Corporation's trading price on the date of issue. No stock options were granted, exercised or outstanding in 2006 or 2005.

7. INCOME TAXES

The components of the future income tax asset amounts as at September 30, 2006 and 2005 are as follows:

	2006	2005
	$	$
Excess of carrying value over tax basis	**(266,000)**	(132,000)
Future benefit of current and prior years' losses	**1,074,000**	985,000
Investment tax credits	**242,875**	170,756
	1,050,875	1,023,756

As at September 30, 2006, the Corporation had investment tax credits of approximately $373,000 available to reduce taxes otherwise payable, and non-capital losses of approximately $3.0 million available to be carried forward to reduce future taxable income. The benefit of these credits and losses has been recognized in the consolidated financial statements. The credits and losses expire between 2008 and 2016.

Income tax expense (recovery) differs from the amounts which would be obtained by applying the combined federal and provincial statutory income tax rate to the respective years' earnings before income taxes. The following schedule explains the differences between the expected and actual tax expense (recovery):

	2006	2005
	$	$
Earnings before income taxes	**149,079**	197,135
Expected income taxes – statutory rate of 35.0% (2005 - 36.0%)	**52,000**	71,000
Effect of tax rate changes	**30,000**	13,000
Adjustments to tax pools and other	**(2,000)**	(37,000)
Provision for future income taxes	**80,000**	47,000

8. SEGMENTED INFORMATION

As at September 30, 2006 and 2005, the Corporation operated primarily in the information technology sector and had only one reportable operating segment.

9. COMMITMENTS

The Corporation is committed to the following minimum annual payments for office leases:

	$
2007	**149,443**
2008	**132,534**
2009	**110,901**
2010	**62,284**
2011	**26,207**

10. RELATED PARTY TRANSACTIONS

In December 2005, management of the Corporation participated in a private placement to purchase 2,000,000 common shares for $160,000, as part of a total private placement of 3,122,500 common shares for $265,000. As of September 30, 2006, an officer of the Corporation was owed $50,000 (2005 – $nil) for advances to the Corporation. This amount is included in accounts payable.

11. FINANCIAL INSTRUMENTS

The carrying values of the Corporation's accounts receivable and accounts payable approximate their respective fair values due to their short term maturity. As the Corporation's revolving credit facility bears interest at floating market rates, its carrying value approximates its fair value.

Credit risk

The Corporation is exposed to normal credit risk from customers. The Corporation minimizes concentrations of credit risk by maintaining a wide customer base spread across differing industries.

Interest rate risk

The Corporation is exposed to interest rate risk on any outstanding drawings on the demand credit facility.

Foreign exchange risk

A portion of the Corporation's sales are denominated in foreign currency. The Corporation has no contracts in place to mitigate this exposure.

12. SUPPLEMENTARY CASH FLOW INFORMATION

	2006	2005
	$	$
Changes in non-cash working capital:		
Accounts receivable	**(265,647)**	82,022
Prepaid expenses	**(10,294)**	(1,462)
Inventory	**39,723**	56,290
Accounts payable and accrued liabilities	**257,864**	(52,580)
Deferred revenue	**(2,968)**	(30,463)
Deferred leasehold allowances	**1,700**	(16,300)
	20,378	37,507
Cash interest paid	**15,380**	7,586
Cash taxes paid	**-**	-

13. SUBSEQUENT EVENTS

To assist in maintaining working capital margining ratios, management had advanced $190,000 to the Corporation as of December 2006.